

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

FINANCIAL REPORT

August 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/27/10

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

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August 31, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ascension Consolidated Utilities District No. 1
Donaldsonville, Louisiana

We have audited the accompanying financial statements of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1** (a component unit of the Parish of Ascension) as of and for the year ended August 31, 2009, as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1** as of August 31, 2009, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2010, on our consideration of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying supplementary financial schedules on pages 27, 28 and 29 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been audited by us, and accordingly, we express no opinion on this information.

Faulk & Wickler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
January 11, 2010

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1's** financial performance provides a narrative overview and analysis of the District's financial activities for the fiscal year ended August 31, 2009. Please read it in conjunction with the District's basic financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

1. The District operated a full year with the Lemonville water system and added 4 new customers during the year ended August 31, 2009, resulting in an increase in charges for service of approximately \$84,000.
2. The District's expenses increased relative to the prior year as a result of additional operating expenses of approximately \$31,000.
3. Cash decreased by approximately \$2,200,000 for the year ended August 31, 2009 relating primarily to the expenditures of proceeds received from the 2007 water revenue bonds for construction costs.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, provides that special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

- Management's discussion and analysis (MD&A)
- Statement of net assets
- Statement of revenues, expense, and changes in net assets
- Statement of cash flows
- Notes to the financial statements
- RSI other than MD&A, if applicable.

The District is a special purpose government formed by the Ascension Parish Council and is engaged in business-type activities.

Enterprise Fund Financial Statements

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information to present the change in the District's financial condition for the current year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most businesses. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and the changes in them. Net assets – the difference between assets and liabilities – are a measure of the financial position of the District. Increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating.

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating, non-capital financing activities, capital and related financing activities, and investing activities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets increased by approximately \$154,000 between the 2009 and 2008 fiscal years. A summary of the net assets for the two years and the changes in net assets of the District's business-type activities is as follows:

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1 STATEMENT OF NET ASSETS

	2009	2008	% Change
Current and other assets	\$ 2,391,700	\$ 4,373,013	(45)
Capital assets	<u>5,206,055</u>	<u>2,730,809</u>	91
Total assets	<u>7,597,755</u>	<u>7,103,822</u>	7
Long-term debt outstanding	4,865,913	4,875,326	(0.2)
Other liabilities	<u>440,581</u>	<u>91,049</u>	384
Total liabilities	<u>5,306,494</u>	<u>4,966,375</u>	7
Net assets	<u>\$ 2,291,261</u>	<u>\$ 2,137,447</u>	
Components of Net Assets:			
Invested in capital assets	\$ 2,668,059	\$ 2,178,495	22
Restricted for debt service	340,539	344,804	(1)
Unrestricted net assets (deficit)	<u>(717,337)</u>	<u>(385,852)</u>	(86)
Total net assets	<u>\$ 2,291,261</u>	<u>\$ 2,137,447</u>	

The increase in net assets of the District is directly attributable to the investment in capital assets. Net assets are the amounts invested in capital assets (water system, equipment, etc.) net of related debt, net assets restricted for debt service requirements, and unrestricted net asset deficits, which are the accumulation of losses from the inception of operations of the District, which were \$717,337 and \$385,852 at the end of 2009 and 2008, respectively.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1
CHANGES IN NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Operating revenues:			
Charges for services	\$ 270,098	\$ 186,476	.45
Expenses:			
Operating	254,729	218,384	
Depreciation	68,961	68,963	
Interest	18,385	23,990	
Total expenses	<u>342,075</u>	<u>311,337</u>	.1
Other revenues:			
Ad valorem taxes	222,498	235,015	
Interest	3,293	15,120	
Total other revenues	<u>225,791</u>	<u>250,135</u>	(.1)
Increase in net assets	<u>\$ 153,814</u>	<u>\$ 125,274</u>	.23

The District's operating revenues increased by 45%, or \$84,000, due to a full year of the Lemonville water system's operation. Total expenses increased by 10%, which was primarily related to an increase in operating expenses of approximately \$31,000. Finally, the District's other revenues decreased by approximately \$25,000, from a decrease in ad valorem tax revenue, as well as earning \$12,000 less in interest earned since cash position declined.

Property values decreased in 2008 resulting in an approximately \$11,000 decrease in property tax assessments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2009 and 2008, the District had \$5,206,055 and \$2,730,809, respectively, invested in capital assets including water lines and related equipment cost, net of accumulated depreciation. Additional information about the District's capital assets is presented in Note 5 to the financial statements.

Debt

At August 31, 2009, the District owed approximately \$48,000 to the Parish of Ascension. In addition, the District had outstanding water revenue bonds of approximately \$4,844,000 related to the construction of Phase II and Phase III of the water distribution system. Additional information about the District's debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS

The District is constructing an expansion to its water system that is projected to increase customer counts from 395 to approximately 1,200. The total cost of the construction is estimated at approximately \$4,000,000 and completion is anticipated in 2010.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's customers, creditors and the general public with an overview of the District's finances and to show the District's accountability for the revenues and other funding it receives. If you have any questions about this report or need additional information, contact Ronald Julien, Chairman, Ascension Consolidated Utilities District No. 1 at P.O. Box 1038, Donaldsonville, Louisiana 70346 or (225) 473-4497.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

STATEMENT OF NET ASSETS

August 31, 2009

ASSETS**CURRENT**

Cash	
Unrestricted	\$ 56,638
Restricted for construction	1,599,142
Due from other governments	177,597
Accounts receivable, net	29,872
Other	9,289
Total current assets	1,872,538

RESTRICTED ASSETS, cash

Debt service	340,539
Meter deposits	42,109

DEFERRED CHARGES, net 136,514**CAPITAL ASSETS, net** 5,206,055

Total assets	<u>\$ 7,597,755</u>
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LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 343,397
Accrued interest payable	55,075
Current portion of debt obligations	44,757

Total current liabilities	443,229
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PAYABLE FROM RESTRICTED ASSETS - CUSTOMER DEPOSITS 42,109**DEBT OBLIGATIONS, net of current portion** 4,821,156

Total liabilities	<u>5,306,494</u>
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NET ASSETS

Invested in capital assets, net of related debt	2,668,059
Restricted for debt service	340,539
Unrestricted net assets (deficit)	(717,337)

Total net assets	<u>2,291,261</u>
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Total liabilities and net assets	<u>\$ 7,597,755</u>
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The accompanying notes to financial statements
on Exhibit D are an integral part of this statement.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

For the year ended August 31, 2009

OPERATING REVENUES

Charges for services	\$ 270,098
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OPERATING EXPENSES

Cost of water	97,318
Depreciation	68,961
Management fees	53,006
Personnel	31,367
Professional services	21,452
Repairs & maintenance	13,426
Office	12,430
Amortization	6,994
Director fees	4,950
Insurance	4,045
Miscellaneous	9,741

Total operating expenses	<u>323,690</u>
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Operating loss	<u>(53,592)</u>
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NON-OPERATING

Ad valorem tax	222,498
Interest income	3,293
Interest expense	<u>(18,385)</u>

Total non-operating	<u>207,406</u>
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Increase in net assets	153,814
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NET ASSETS

Beginning	<u>2,137,447</u>
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Ending	<u>\$ 2,291,261</u>
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The accompanying notes to financial statements
on Exhibit D are an integral part of this statement.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

STATEMENT OF CASH FLOWS

For the year ended August 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 258,335
Net collections of customer deposits	10,740
Payments to suppliers	(94,739)
Payments for operating expenses	<u>(162,860)</u>
Net cash provided by operating activities	<u>11,476</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Collection of ad valorem tax	<u>222,498</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Construction/acquisitions of capital assets	(1,984,925)
Due from other governments	(177,597)
Payments on long-term debt	(10,547)
Interest paid on capital debt, net of interest income	<u>(232,349)</u>
Net cash used by capital and related financing activities	<u>(2,405,418)</u>
Net decrease in cash	(2,171,444)

CASH, including restricted cash

Beginning	<u>4,209,872</u>
Ending	<u>\$ 2,038,428</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (53,592)
Adjustments for non-cash items:	
Depreciation and amortization	75,955
Change in operating assets and liabilities:	
Increase in accounts receivable and other assets	(18,393)
Decrease in accounts payable	(3,234)
Increase in customer deposits	<u>10,740</u>
Net cash provided by operating activities	<u>\$ 11,476</u>

The accompanying notes to financial statements
on Exhibit D are an integral part of this statement.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The Ascension Consolidated Utilities District No. 1 (District) was created by the Parish of Ascension, Louisiana to provide for the distribution of water to the citizens residing in the western portion of Ascension Parish. The District is a component unit of the Parish of Ascension. The District was created in August 2000, but began operations with the consolidation of the existing Waterworks District Nos. 1, 4 and 7 of the Parish of Ascension, Louisiana on June 7, 2001.

Basis of presentation

The accompanying component unit financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity

The District is a component unit of the Parish of Ascension, the financial reporting entity. The Parish of Ascension is financially accountable for the District because it appoints a voting majority of the Board and has the ability to impose its will on the District. The District is economically dependent on the Parish of Ascension.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish of Ascension, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statements

The District has adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."* This statement provides that special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

- Management's discussion and analysis (MD&A)
- Statement of net assets
- Statement of revenues, expenses, and changes in net assets
- Statement of cash flows
- Notes to the financial statements
- RSI other than MD&A, if applicable

The District is a special purpose government engaged only in business-type activities.

Fund accounting

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, net assets (deficit), and revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Basis of accounting

GASB Statement No. 34 established standards for external reporting for all state and local government entities which includes a statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows. It requires the classification of net assets into three components - 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted for debt service - This component of net assets represents the cash transfers and balances for reserve and contingency requirements of the water revenue bonds (Note 6).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting (continued)

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of GASB Statement No. 34 had no effect on the basic financial statements except for the classification of net assets and the reflections of capital contributions as a change in net assets. Additionally, the Statement required management of the District to prepare a Management's Discussion and Analysis.

The District accounts for its activities on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the District are included in the balance sheet. The District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that they do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so.

Ad valorem taxes are recorded in the year the taxes are assessed, which is on a calendar year basis, becoming due on November 15th of each year, and becoming delinquent after December 31st. The taxes are generally collected in December, January and February of each fiscal year.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District are water sales to residential and commercial users. Operating expenses for the District include the cost of water, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts and depreciation.

Fair value of financial instruments

The carrying value of cash, accounts receivable, deferred charges and operating liabilities approximate fair value due to the short-term maturity of these instruments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

Cash includes amounts in demand deposit accounts and interest bearing demand deposit accounts. Under state law, the District may deposit funds in demand deposit and interest bearing demand deposit accounts with banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. For purposes of the statement of cash flows, the District considers cash in bank accounts as cash. The District has no cash equivalents at August 31, 2009. Cash, for the purposes of the statement of cash flows, consists of the following:

<u>Cash</u>	<u>Amount</u>
Unrestricted	\$ 56,638
Restricted for construction	1,599,142
Restricted for debt service	340,539
Meter deposits	42,109
Total cash	<u>\$ 2,038,428</u>

Restricted assets

Restricted assets on the balance sheet represent funds held for customer deposits, debt service and cash restricted for construction.

Accounts receivable

Accounts receivable represent amounts owed to the District from customer water usage. The allowance for doubtful accounts was \$4,000 at August 31, 2009, which is based on historical data and management's assessment of the collectibility of accounts receivable. The District requires a deposit from its customers as collateral.

Capital assets

Property is recorded at cost. Depreciation is computed using the straight-line method over the estimated service lives of the assets.

Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District renewed its commercial insurance policy in 2009 with no significant change in coverage.

Net asset deficit and net working capital surplus

At August 31, 2009, the unrestricted net asset deficit totaled \$717,337. Additionally, the District had a net working capital surplus of \$1,429,309.

NOTE 2 - CASH

The District may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of June 30, 2009, \$2,042,419 of the District's bank balance was not exposed to custodial credit risk. At August 31, 2009, the District's deposits (including demand deposit accounts and restricted cash) totaled \$2,038,428 and the related bank balances were \$2,042,419.

NOTE 3 - AD VALOREM TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

The property tax calendar is as follows:

Millage Rates Adopted	July 17, 2008
Levy Date	July 17, 2008
Due Date	November 15, 2008
Lien Date	January 1, 2009
Collection Dates	December 1, 2008 to February 29, 2009

For the year ended August 31, 2009, taxes of 10 mills on property valued at \$2,332,012 were levied to provide additional funding for the operations and expansion of the water distribution system. Total taxes levied and collected were \$222,498. Property tax mileage rates are adopted in the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when assessment rolls are filed on or before November 15 of the current year, and become delinquent thereafter.

NOTE 4 - DEFERRED CHARGES

The District incurred bond issuance costs of \$146,743 related to the 2007 water utility revenue bonds (Note 6), which have been capitalized and are being amortized over the life of the bond. Accumulated amortization at August 31, 2009 was \$10,229, and amortization expense was \$6,994 for the year.

NOTE 5 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended August 31, 2009, is as follows:

	Balance at 9/1/2008	Increase	Decrease	Balance at 8/31/2009
Capital assets not being depreciated:				
Construction in progress	\$ 104,481	\$ 2,308,855	\$ -	\$ 2,413,336
Capitalized interest	144,832	235,352	-	380,184
Land	5,000	-	-	5,000
	<u>254,313</u>	<u>2,544,207</u>	<u>-</u>	<u>2,798,520</u>
Capital assets being depreciated:				
Water distribution system	2,708,521	-	-	2,708,521
Computer software	3,346	-	-	3,346
Less: accumulated depreciation	<u>(235,371)</u>	<u>(68,961)</u>	<u>-</u>	<u>(304,332)</u>
Capital assets being depreciated, net	<u>2,476,496</u>	<u>(68,961)</u>	<u>-</u>	<u>2,407,535</u>
Total net	<u>\$ 2,730,809</u>	<u>\$ 2,475,246</u>	<u>\$ -</u>	<u>\$ 5,206,055</u>

Depreciation is determined on the straight-line method based on a useful life of forty years for the water system and three years for computer software. Depreciation expense for the year ended August 31, 2009 was \$68,961. The District had capitalized \$380,184 in interest on debt used in the construction of the water system expansion as of August 31, 2009.

NOTE 6 - LONG-TERM DEBT OBLIGATIONS

The District's debt consisted of a loan from the Parish of Ascension, the governing entity, and Revenue Bonds. The following summarizes debt transactions for the year ended August 31, 2009:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
2007 Revenue bonds	\$ 4,455,000	\$ -	\$ -	\$ 4,455,000	\$ -
2004 Revenue bonds	393,655		4,547	389,108	4,757
Related party loan	54,177	-	6,000	48,177	40,000
Bond discount	<u>(27,506)</u>	<u>-</u>	<u>1,134</u>	<u>(26,372)</u>	<u>-</u>
	<u>\$ 4,875,326</u>	<u>\$ -</u>	<u>\$ 11,681</u>	<u>\$ 4,865,913</u>	<u>\$ 44,757</u>

NOTE 6 - LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Long-term debt obligations for the District at August 31, 2009, are comprised of the following:

2007 Water Revenue Bonds (See below)	\$ 4,455,000
\$402,500 Water Revenue Bonds secured by a pledge and dedication of water revenues, due in monthly installments of \$1,847 through June 14, 2044; interest at 4.50%.	389,108
\$90,177 Ascension Parish loan unsecured and non-interest bearing due in annual installments of \$10,000 through 2011.	48,177
Bond discount (2007 series)	<u>(26,372)</u>
Total long-term debt from business-type activities	<u>\$ 4,865,913</u>

On December 1, 2007, the District issued \$4,455,000 of revenue bonds secured by water revenues for construction of Phase III of the water distribution system. The bond issue consisted of \$3,035,000 of serial bonds and \$1,420,000 of term bonds. The serial bonds have interest rates from 4-5% and mature between December 1, 2010 and December 1, 2027. The term bonds have interest rates of 5.5% and mature between December 1, 2028 and December 1, 2032. All term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates. The annual requirements to amortize debt outstanding at August 31, 2009, are as follows:

Year	Ascension Parish Loan		Revenue Bonds		Total Long-term debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 40,000	\$ -	\$ 4,757	\$ 234,661	\$ 44,757	\$ 234,661
2011	8,177	-	119,976	232,142	128,153	232,142
2012	-	-	125,204	227,183	125,204	227,183
2013	-	-	130,443	221,951	130,443	221,951
2014	-	-	135,694	216,457	135,694	216,457
2015-2019	-	-	767,640	988,918	767,640	988,918
2020-2024	-	-	955,858	794,180	955,858	794,180
2025-2029	-	-	1,206,146	534,917	1,206,146	534,917
2030-2034	-	-	1,224,025	179,240	1,224,025	179,240
2035-2039	-	-	80,146	30,703	80,146	30,703
2040-2044	-	-	94,218	10,547	94,218	10,547
	<u>\$ 48,177</u>	<u>\$ -</u>	<u>\$ 4,844,108</u>	<u>\$ 3,670,900</u>	<u>\$ 4,892,285</u>	<u>\$ 3,670,900</u>

NOTE 6 - LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Bond Restrictions

Water Revenue Bonds – Series 2004 and 2007

These bonds are a direct liability of the District to be serviced by the earnings of the District. In accordance with the indentures governing Water Utility Revenue Bonds, Series 2004 and 2007, cash is periodically deposited into accounts administered by the trustee bank, as follows:

1. The Water Revenue Fund requires all revenue derived from its operations to be deposited in a bank that is a member of the Federal Deposit Insurance Corporation as long as the bonds are outstanding. Transfers are required to be made on a monthly basis to designated trust accounts. In addition, the bonds require the use of a separate construction account.
2. The Water Revenue Bonds require monthly fund transfers from the Water System Revenue Fund to provide payment of the next maturing interest and principal of the revenue bonds.
3. The 2004 Water Revenue Bond Reserve Fund requires monthly transfers of \$93 until a sum equal to the highest combined principal and interest falling due in any year has been accumulated. These funds are restricted to payment of principal and interest in case of default. At August 31, 2009, the balance deposited was \$3,441.

The 2007 Water Revenue Bond Reserve Fund required a transfer of the proceeds from the bond issuance proceeds of \$323,663.

4. The 2004 and 2007 Water Depreciation and Contingency Funds require monthly transfers of \$93 and \$905, respectively. The Funds are restricted to payments for unusual or extraordinary maintenance, repairs, replacement, and extensions and improvements that will either enhance its revenue producing capacity or provide improved service. It will also be used to pay principal and interest if there are not sufficient funds in the Water Revenue Bond Fund and Water Revenue Bond Reserve Fund. At August 31, 2009, the balance deposited was \$3,441 and \$8,147, respectively.

At August 31, 2009, the District had sufficient balances in the reserve accounts to meet these requirements.

NOTE 7 - COMMITMENT AND CONTINGENCIES

Suppliers

On April 22, 2003, the District entered into a five year bulk water sales agreement with a water supplier to purchase a minimum of 1,000,000 gallons of water per month at a stipulated rate which is adjusted annually based on the Consumer Price Index (CPI). The District renewed this agreement for one year in January 2009. Currently, the District is paying a minimum of \$1,705 per month and \$1.70 per 1,000 gallons for amounts over 1,000,000 up to 5,000,000 gallons and \$1.53 per 1,000 gallons for amounts in excess of 5,000,000 gallons per month; however, the District purchases approximately 396,000 gallons per year from this supplier to provide service to a large commercial user, and a few residential users.

Additionally, on June 21, 2004, the District entered into a ten year bulk water sales agreement with another water supplier to purchase a minimum of 1,000,000 gallons of water per month at a stipulated rate which is adjusted annually based on the Consumer Price Index (CPI). Currently, the District is paying a minimum of \$1,870 per month and \$1.87 per 1,000 gallons for amounts over 1,000,000 up to 5,000,000 gallons and \$1.76 per 1,000 gallons for amounts in excess of 5,000,000 gallons per month.

Environmental contingencies

Management of the District is not aware of any unrecorded material environmental commitments or contingent environmental liabilities. Environmental contingencies have been mitigated by testing of the water systems on a regular basis and providing the test results to the proper environmental authorities.

Construction contingencies

As of August 31, 2009, the District had an outstanding commitment for construction contracts of \$607,947, related to construction of Phase III of the water distribution system.

Community Resource Group, Inc.

During 2008, the District entered into a credit agreement with Community Resource Group, Inc., to provide a \$50,000 multiple advance construction loan. The terms of the loan require 120 monthly payments of principal and interest commencing July 7, 2008, with a 5.9% fixed rate on the outstanding balance.

As of August 31, 2009, advances have not been requested by the District and payments of \$7,741 represent prepayments of principal and have been included in other current assets. In the event the agreement is terminated prior to funds being advanced, the payments made by the District will be refunded.

NOTE 8 - COMPENSATION OF BOARD MEMBERS

Board member compensation during 2009 was as follows:

Oliver Hooper	\$ 900
Harry Thibodaux	900
Billy Barrient	1,050
Rev. Herbert Brunswick	225
Ronald Julien	825
Kirk Delatte	<u>1,050</u>
Total compensation	<u>\$ 4,950</u>

NOTE 9 - DUE FROM OTHER GOVERNMENTS

In 2009, the District completed construction for Ascension Parish of a sewer tie-in for the parish jail which is located in Donaldsonville. The Parish entered into an intergovernmental agreement to reimburse the District for \$260,000. In August 2009, the Parish reimbursed the District \$88,000 and owes the District \$172,000.

Additionally, the District received a grant from FEMA and is expecting to receive funds in the amount of \$5,597. A receivable has been recorded as of August 31, 2009 in that amount.

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 11, 2010, the date the financial statements were available to be issued.

Special Independent Auditors' Reports

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

August 31, 2009



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Board of Directors
Ascension Consolidated Utilities District No. 1
Donaldsonville, Louisiana

We have audited the financial statements of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1 (District)** as of August 31, 2009 and for the year then ended, and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.


A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we considered to be material weaknesses as defined above and are reported as Items 2009-1, 2009-2, and 2009-3.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana
January 11, 2010

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

August 31, 2009

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unqualified opinion.**
 - B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2009-1, 2009-2, and 2009-3.**
Material weaknesses: **See significant deficiencies above.**
 - C) Noncompliance that is material to the financial statements: **None**
- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2009-1, 2009-2, and 2009-3.**

B) FINDINGS – FINANCIAL STATEMENT AUDIT

2009-1 SEGREGATION OF DUTIES

Observation: There is not sufficient segregation of duties to have effective internal control due to the small size of the organization. These limitations allow no opportunity for meaningful segregation of duties. Specifically, one employee handles the financial administration of the District. This person has the following responsibilities:

- Entering consumption from meter readings monthly,
- Processing customer bills,
- Processing customer collections,
- Entering all deposits in the accounting system,
- Entering all invoices to be paid in the accounting system,
- Processing check disbursements including vendor payments and payroll,
- Reconciling bank statements, and
- Producing financial statements.

During 2009, a contract accountant was hired to review the accounting records monthly, including bank reconciliations, general ledger detail and financial statements.

Recommendation: We recommend the following:

- Board member review of the unopened bank statement, bank reconciliations, and all transactions including cancelled checks,
- Development of procedures governing the approval and processing of all transactions of the District including requiring dual signature on all checks.

Management's corrective action plan: We concur with the finding and intend to explore the recommendation.

2009-2 CUSTOMER DEPOSITS

Observation: The District maintains its customer deposit listings through two separate customer listings. One listing is maintained on the billing system utilized for customers of the active water system. This process appears to work effectively.

A second listing is maintained for future users that will receive water service at the completion of construction of water system expansion projects. The list is prepared in an excel worksheet and reflects approximately \$23,000 in customer deposits.

Recommendation: We recommend that the billing information for prospective customers continue to be captured in the billing system at the earliest opportunity. Since customer deposits are an integral part of such information, it would be logical and efficient to utilize your billing system in this manner. This comment also correlates to aspects of comments under item 2009-3 concerning the adequacy of your accounting software.

Management's corrective action plan: During 2009, management began entering the manual customer deposits into the billing system. Additionally, all customers from the manual list will be added to the billing system in 2010.

(Continued)

2009-3 FINANCIAL STATEMENT ADMINISTRATION

Observation: We have the following observations:

- The District relies on its auditor to assist in the preparation of the external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the District's auditor is not considered to be a part of internal control. The design of internal control does not otherwise include procedures to prevent or detect material misstatements in the external financial statements.
- Cash basis financial statements and the general ledger are presented to the Board monthly.
- Finally, the District is currently using a stand-alone billing system and a basic accounting software package with all related data being stored on one lap-top computer. While this system is capable of maintaining the current level of volume, once the users of the Phase III expansion are brought into the system, the District should consider other software alternatives that can accommodate the increased volume of activity.

Recommendation: The financial statements should be adjusted monthly to report operations and financial position on the accrual basis.

The District should obtain an integrated accounting software package which would include components such as accounts payable, a customer information database, customer billings, meter deposits, bank reconciliations, general ledger and financial reporting, and budgeting capabilities.

Management's corrective action plan: During 2009, the District hired a contract CPA to assist in implementing monthly closeout procedures to adjust the financial statements to accrual basis.

The future needs of accounting hardware and software are a concern, and will be addressed in the upcoming year, as resources are expected to be available to purchase a fully-functional accounting system.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1
Donaldsonville, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

August 31, 2009

2008-1 SEGREGATION OF DUTIES

Prior Year Observation:

This finding has been reclassified at finding 2009-1.

2008-2 CUSTOMER DEPOSITS

Prior Year Observation:

This finding has been reclassified at finding 2009-2.

2008-3 OPERATING BUDGET/FINANCIAL REPORTING

Prior Year Observation:

This finding has been reclassified at finding 2009-3.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1
Donaldsonville, Louisiana

WATER CUSTOMERS

August 31, 2009
(Without Audit)

Records maintained by the District indicated the number of residential and commercial users for the water system at August 31, 2009 were as follows:

Residential	372
Commercial	27

At August 31, 2009, the District was charging residential customers a \$14.00 base fee per month for the first 2,000 gallons with \$5.00 for each additional thousand gallons of water consumed. Commercial customers were charged a \$54 base fee for the first 10,000 gallons with \$5.00 for each additional thousand gallons of water consumed.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO.1

SCHEDULE OF INSURANCE IN FORCE

August 31, 2009
(Without Audit)

<u>Issuer</u>	<u>Type of Insurance</u>	<u>Limit Description</u>	<u>Coverage</u>	<u>Effective Dates</u>
Arthur J. Gallagher Of LA Inc.	Commercial General Liability	General Aggregate Limit (Other than Products-Completed Operations)	\$ 3,000,000	7/10/08-7/10/09
		Products & Completed Operations Aggregate Limit	3,000,000	7/10/08-7/10/09
		Personal & Advertising Injury Limit	1,000,000	7/10/08-7/10/09
		Each Occurrence Limit	1,000,000	7/10/08-7/10/09
		Damage To Premises Rented Limit (any one premises)	100,000	7/10/08-7/10/09
		Medical Expense Limit (any one person)	5,000	7/10/08-7/10/09
	Automobile Liability	Combined Single Limit	1,000,000	7/10/08-7/10/09
		General Aggregate Limit (Other than Products-Completed Operations)	\$ 3,000,000	7/10/09-7/10/10
		Products & Completed Operations Aggregate Limit	3,000,000	7/10/09-7/10/10
		Personal & Advertising Injury Limit	1,000,000	7/10/09-7/10/10
	Commercial General Liability	Each Occurrence Limit	1,000,000	7/10/09-7/10/10
		Damage To Premises Rented Limit (any one premises)	100,000	7/10/09-7/10/10
		Medical Expense Limit (any one person)	5,000	7/10/09-7/10/10
		Combined Single Limit	1,000,000	7/10/09-7/10/10
	Automobile Liability	General Aggregate Limit (Other than Products-Completed Operations)	\$ 3,000,000	7/10/09-7/10/10
		Products & Completed Operations Aggregate Limit	3,000,000	7/10/09-7/10/10
		Personal & Advertising Injury Limit	1,000,000	7/10/09-7/10/10
		Each Occurrence Limit	1,000,000	7/10/09-7/10/10

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

BOARD OF DIRECTORS

August 31, 2009

(Without Audit)

Billy Barrient
32502 Hwy 943 South
Donaldsonville, Louisiana 70346
Phone # (225) 473-6212

Rev Herbert Brunswick
6167 Hwy. 405
Donaldsonville, Louisiana 70346
Phone # (225) 473-7735

Kirk Delatte
2435 St. Simon Place
Donaldsonville, Louisiana 70346
Phone # (225) 717-0363

Oliver Hooper, Jr.
3127 Ceaser Lane
Donaldsonville, Louisiana 70346
Phone # (225) 473-2752

Ronald Julien
35488 Ovide Road
Donaldsonville, Louisiana 70346
Phone # (225) 926-3449

Harry Thibodaux
1453 Millien Rd.
Donaldsonville, Louisiana 70346
Phone # (225) 473-7767

Thomas Walters
3325 Hwy. 18
Donaldsonville, LA 70346
Phone # (225) 473-0115